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This single chapter on marketing U.S. products and services is excerpted from the 2004 (September 2004 Update) Country Commercial Guide for Jordan. The full text of the report is also available on this website.

CHAPTER 4. MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels; Use of Agents/Distributors; Finding a Partner

Following Jordan's accession to the WTO, the government amended the Commercial Agents and Mediators Law to make the law compatible with WTO requirements. The current Commercial Agents and Mediator Law governs the contract between foreign firms and commercial agents. It clearly delineates the distinction between commercial agency and distribution contracts relationships. Private foreign entities, whether licensed under sole foreign ownership or as a joint venture, compete on an equal basis with local companies.

Below are the most significant provisions affecting the principal/agent relationship:

- The Commercial agent or commercial mediator must be a Jordanian national, or a Jordanian company registered in accordance with the provisions of this Law. (Article 3);
- Once an agency contract is signed, the agent must take the agreement to the Registrar of Companies at the Ministry of Industry and Trade for filing agents' names and all other related information regarding their agencies in the Kingdom, and another record for filing commercial-mediators. No person shall be entitled to act as an agent or commercial-mediator in the Kingdom unless registered in the commercial agents register or the commercial mediators register. (Articles 4, 5, and 6);
- Notwithstanding the contents of the provisions of this Law, or any other legislation, Jordanians and non-Jordanians shall be prohibited from practicing the business of commercial agency or commercial mediation in the import or sale of arms (weapons), or their complementary or developing parts, or the ammunitions which are supplied to the Jordanian Armed Forces and security organizations, including the maintenance of such arms and their insurance. (Article 12);
- Foreign companies and institutions registered to operate in the Kingdom may not practice, in addition to its activities, the representation of foreign companies incorporated abroad under a commercial agency. This prohibition however shall not include the commercial agencies, which were registered in their name for this purpose prior to the effectiveness (implementation) of the provisions of this Law. (Article 13);
- Where the principal cancels the agency contract prior to the expiry of its term, without an error from the agent, or for any illegal reason, then the agent will be entitled to claim the principal to compensate him for the damages suffered by him, as well as for his loss of profit. (Article 14);

- The Jordanian courts shall be the competent courts to look into any dispute or conflict arising from the commercial agency contract, or from the implementation of the provisions of this Law. (Article 16A);
- No lawsuit concerning any dispute or conflict arising from the commercial agency contract shall be heard after the lapse of three years from the expiry of the contract or from its termination for any reason whatsoever. (Article 16B).

Note: Company Registration, regulation No. 14 for the year 2002, was promulgated by the government amending the old company's regulation No. 50 for the year 1997. A Royal Decree was issued to endorse the new Mediator and Agents Regulation, which stipulates a rise in the fees levied for the registration of new agencies for traders and businessmen in Jordan. According to the amendments, the Ministry of Industry and Trade has increased the registration fees of companies based on the registered capital of the company.

Please contact the U.S. Commercial Service in Amman (www.buyusa.gov/jordan) and E-mail: muna.farkouh@mail.doc.gov if you have any questions or you wish to obtain copies of the above-mentioned laws and regulations.

Product Pricing

Local importers base their pricing on the export price, freight costs, applicable import tariffs and taxes, the 16% sales tax and profit margin. Policies on customs valuation are compatible with Article VII of the GATT code, which limits the scope for arbitrary assessment. However, U.S. manufacturers and suppliers should coordinate with local representatives before assigning a final price to a product. Nine out of every 10 customs valuation disputes are based on a disagreement over the invoice price. It remains a customs officer's prerogative to reject an exporter's invoice price, which could result in fines or a higher assessed value.

Franchising

Local investors are increasingly interested in franchising, especially in services and the fast food industry. The local market remains enthusiastic about U.S. franchises. However, the Jordanian market cannot absorb numerous branches of a single franchise given the small size of the market. U.S. retail and service franchises have increased in the last several years. Examples include Subway, Pizza Hut, Popeye's, KFC, McDonald's, Mrs. Fields and Burger King. The development of new malls and retail outlets have increased the opportunities for additional franchises.

Steps to Establish an Office

The Companies Act of 1997 provides guidance for registering foreign companies and establishing regional and representative offices. The law distinguishes between four types of business entities.

- Non-Operating Foreign Companies (Regional Offices);
- Operating Foreign Companies (Branch or Project Offices);
- Offshore Companies; and
- Joint Ventures.

Non-operating Foreign Companies (called “Regional Offices”)

A non-operating foreign company is a company that establishes a regional or representative office to represent the company’s affairs outside Jordan in coordination with the head office. Such a company is not allowed to conduct any business or commercial activity in Jordan, including activities of agents and middlemen. In addition, the number of Jordanian employees should not be less than half of the total number of employees.

Non-operating foreign companies enjoy the following incentives.

- Exemption from income and social service taxes on profits generated from business conducted outside Jordan.
- Exemption from income and social service taxes on wages and salaries of non-Jordanian employees.
- Exemption from the formalities of registration with the Chamber of Commerce and from the payment of registration fees or any other fees in connection to their operations.
- Exemption from foreign exchange control restrictions. Regional offices can also maintain an account in Jordan in any foreign or local currency provided that they are fed with moneys from foreign sources. Money can be deposited in and repatriated out of the accounts freely and without restrictions.
- Non-operating foreign companies are permitted to import one car for the use of their non-Jordanian employees once every five years, provided that they deposit a bank guarantee for the amount of the duty with the Ministry of Finance (Customs Department). This guarantee will be released upon exporting the car out of Jordan or selling the car locally after paying the duty thereon.
- Exemption from customs fees and other charges on imports of office equipment, furniture, business samples and demonstration models. The only tax paid on such imports is the sales tax.

Non-Jordanian employees are granted a residence and work permit

Operating Foreign Companies (Branch or Project Offices)

An operating foreign company is a company or a body registered outside Jordan whose head office is in another country, and whose nationality is non-Jordanian. Such companies are classified into two types according to the nature of their activities:

Non-Permanent: a foreign company that has been awarded a contract in Jordan requiring the execution of work within a limited period of time (e.g. a construction contract). Upon termination of the contract, a new permit may be obtained in order to extend the period of operation. If the company obtains no new contract, then the branch office must be closed and liquidated.

Permanent: a branch office operating in Jordan permanently with licenses to that effect from the concerned authorities.

An operating foreign company is allowed to conduct commercial activities in Jordan after registering and obtaining a work permit.

Registration fees paid for a branch office are JD 250, if the share capital of the foreign company at its home office does not exceed the equivalent of JD 1 million, and JD 500 if it exceeds the equivalent of JD 1 million. (Conversion rate JD 1= US\$ 1.41).

A branch or project office must notify the Controller of Companies in writing of the date it expects its operations to end in Jordan, or the date specified for the termination thereof, at least 30 days prior to that date. It must prove to the Controller of Companies the settlement of all its commitments resulting from operating in Jordan prior to the cancellation of registration.

Offshore Companies

An offshore company can take the form of a private shareholding company with limited liability, a limited partnership in shares, or a public shareholding company. The offshore company is listed as a Jordanian entity, but cannot conduct any business in Jordan. Furthermore, the words "Exempt Company" must be added to the name of the company.

Offshore companies cannot offer their shares for public subscription in Jordan. They are obliged to invest a minimum of 5% of the share capital in securities traded in the Amman Stock Exchange.

The minimum share capital of an offshore company depends upon its form:

- JD 30,000 for a private shareholding company with limited liability.
- JD 500,000 for a public shareholding company.
- JD 1,000,000 for companies offering financial services (banking, insurance, and re-insurance). (Conversion rate JD 1 = US\$ 1.41).

Upon incorporation, if an offshore company takes the form of a public shareholding company it must pay a registration fee of JD 5,000, and in all other cases it must pay JD 1,000. The same fees are levied annually. Stamp duties due on registration amount to 5 JD per mil (1,000) of its share capital.

Joint Ventures

A joint venture is a commercial undertaking formed by two or more persons and/or legal entities. A joint venture is not subject to the provisions and procedures of registration and licensing and does not have a separate legal identity. However, a joint venture is confined to the special relationship between partners in the venture as specified in the joint venture agreement.

Joint ventures with Jordanian partners are one means of penetrating the local market. The advantage lies in the Jordanian partner's market experience, which helps in bridging cultural gaps when conducting business. They are also essential in some services where foreign ownership/share of companies cannot exceed 50%.

Jordan Bromine has been set up as a joint venture between Arab Potash and the U.S. firm Albemarle Corporation. Other joint ventures exist in the Al Hassan Industrial Estate QIZ and the mining and contracting sectors of the economy. Joint ventures in contracting require 50% local partnership (see section vii: investment climate).

General Registration Procedures

- All enterprises, whatever their legal forms, operating in Jordan must register with the Controller of Companies at the Ministry of Industry and Trade. Only joint ventures are excluded. Foreign companies seeking to open a regional office or a branch in Jordan must apply to the Controller of Companies for registration by submitting all necessary documents in Arabic.
- Companies operating in Jordan must register with the Chamber of Commerce or the Chamber of Industry, as applicable.
- All companies operating in Jordan should register with the Income Tax Department.
- Companies employing more than five people must register with the Social Security Corporation.
- All enterprises must obtain an annual license from the concerned municipality.
- Industrial projects can receive an industrial registration certificate from the Ministry of Industry and Trade upon completing an application with the Department of Industrial Development.

The Jordan Investment Board (JIB) assists investors through the investment process. JIB in Amman also offers one-stop-shop assistance with customs and registering establishing an office.

For details, refer to **WWW.JORDANINVESTMENT.COM** and **WWW.ACI.ORG.JO**.

Advertising and Trade Promotion

U.S.-style contests, giveaways, drawings and other creative promotions are gaining popularity as consumers become more sophisticated and competition increases. U.S. exporters can participate in local exhibitions and advertise in newspapers, radio, and business journals as a means to locate agents, distributors or buyers. Billboards and electronic screens are also available. U.S. firms may also advertise on the Commercial Service/Amman website: www.buyusa.gov/amman.

The main local newspapers include:

- Jordan Times (English daily)
- Al-Rai (Arabic daily)
- Al-Dustour (Arabic daily)
- Al-Aswaq (Arabic daily)
- Al-Arab al-Yawm (Arabic daily)

Sales Service / Customer Support

Service, customer support, and after sales service are important selling points in Jordan. U.S. firms that compete with European and Asian suppliers find that workshops and training seminars for local agents or sub-contracting firms are useful sales tools.

Selling to the Government

The General Supplies Department is the Jordanian Government's procurement agency. A local agent/distributor or representative must be appointed to act on behalf of any potential American supplier for local tenders. Direct bids for tenders financed by international donors or the World Bank may be permitted as stated in tender documents.

Protecting Your Product from IPR Infringement (see chapter VII)

Performing Due Diligence

U.S. companies interested in contracting local agents should conduct due diligence prior to signing any contracts. The Embassy's commercial section is able to conduct confidential background checks on local companies via an International Company Profile (ICP), a fee-based service available through the U.S. Department of Commerce or directly through the Commercial Service office in the Embassy (refer to **www.buyusa.gov/jordan**). In addition, there are a number of internationally recognized accounting and auditing firms in Jordan that can provide research into local companies.

Please Note: Country Commercial Guides are available to U.S. exporters on the website: **<http://www.export.gov>**. They can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

U.S. exporters seeking further recommendations for trade promotion opportunities in Jordan and country-specific commercial information may also wish to visit the website of the U.S. Commercial Service in Jordan at **www.buyusa.gov/jordan**

Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at **www.state.gov**

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at (800) USA-TRADE, or go to one of the following websites: **www.usatrade.gov** or **www.tradeinfo.doc.gov**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.